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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Financing of the United Nations Transitional Administration in East Timor and the United Nations Mission of Support in East Timor

Financial performance report for the United Nations Transitional Administration in East Timor and the United Nations Mission of Support in East Timor for the period from 1 July 2001 to 30 June 2002 and proposed budget for the United Nations Mission of Support in East Timor for the period from 1 July 2003 to 30 June 2004

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the financial performance of the United Nations Transitional Administration in East Timor (UNTAET) and the United Nations Mission of Support in East Timor (UNMISET) for the period from 1 July 2001 to 30 June 2002 (A/57/666). The Committee has also considered the report of the Secretary-General on the proposed budget for UNMISET for the period from 1 July 2003 to 30 June 2004 (A/57/689). During its consideration of the reports, the Committee met with representatives of the Secretary-General, as well as with the Deputy Special Representative of the Secretary-General, who provided additional information and clarifications.

2. UNTAET was established by the Security Council in its resolution 1272 (1999). By its resolutions 1338 (2001) and 1392 (2002) the Council extended the mandate of UNTAET until 31 January 2002 and 20 May 2002 respectively. The successor mission, UNMISET, was established by the Council as of 20 May 2002 in its resolution 1410 (2002) for an initial period of 12 months. For the period from 20 May to 30 June 2002, UNMISET was financed from the unencumbered balances from UNTAET.

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I. Financial performance report for the period from 1 July 2001 to 30 June 2002

3. On the recommendation of the Advisory Committee, the General Assembly, in its resolution 56/249 of 24 December 2001, appropriated an amount of $458,000,128 gross ($445,193,514 net) for the operation of the Mission for the period from 1 July 2001 to 30 June 2002, inclusive of the amount of $3,000,128 gross ($2,773,914 net) for the support account for peacekeeping operations, in addition to the amount of $17,027,947 gross ($14,943,699 net) already appropriated for the support account and the amount of $1,778,786 gross ($1,597,340 net) already appropriated for the United Nations Logistics Base by the General Assembly in its resolution 55/228 B, and inclusive of the amount of $282 million gross ($273,025,800 net) authorized by the Assembly in its resolution 55/228 B.

4. As indicated in the report of the Secretary-General on the financial performance of UNTAET/UNMISET for 2001/02 (A/57/666, sect. II.A), expenditures for the period totalled $454,058,000 gross ($440,948,600 net). In addition, budgeted voluntary contributions amounting to $60,000 were provided during the reporting period. The unencumbered balance of $942,000 represents, in gross terms, 0.2 per cent of the appropriation. The Advisory Committee was informed that the unutilized balance was primarily attributable to favourable rates obtained for the hiring of aircraft used for rotation of military personnel, a reduced number of rotation trips, fewer flight hours than budgeted and the filling of international posts at lower than budgeted grade and step levels.

5. Upon enquiry, the Advisory Committee was informed that of the unliquidated obligations of $34,369,300 as at 31 December 2002, $9,887,300 remained to be liquidated as at 28 February 2003. The Committee was informed that this largely represented obligations to Governments. The Committee also notes from section II.B of the performance report (A/57/666) that a total of $20,680,000 is indicated for other income and adjustments for the period, comprising $7,625,000 in interest income, $1,642,000 for other/miscellaneous income and $11,413,000 in savings on or cancellation of prior-period obligations.

6. **The Advisory Committee considers that the large amounts of savings regularly realized by the Mission on prior-period obligations indicate a laxity in obligating funds and illustrate weaknesses in budget implementation and monitoring. The Committee requests that efforts be made to address these problems.**

7. The comments of the Advisory Committee on the information in the performance report on individual objects of expenditure can be found, where relevant, in the remarks on the proposed budget for the period 1 July 2003 to 30 June 2004 in the paragraphs below (see also the comments of the Committee on presentation in A/57/772).

II. Information on performance for the current period

8. The Advisory Committee was informed that, as at 28 February 2003, a total of $1,745.9 million had been assessed on Member States in respect of UNTAET/UNMISET since its inception. Payments received as at the same date

amounted to $1,530.3 million, leaving an outstanding balance of $215.6 million. As at 24 February 2003, the cash position of the Mission was $84.7 million, and unliquidated obligations for the period from 1 July 2001 to 30 June 2002 amounted to $9,887,300.

9. The Advisory Committee was informed that troop and formed police cost reimbursement up to 30 September 2002 totalled $259.2 million, while the amount owed for the period from 1 October 2002 to 28 February 2003 was $22.8 million. With regard to contingent-owned equipment, the Committee was informed that as at 28 February 2003, an amount of $54,882,100 had been reimbursed and the estimated amount owed was $130,593,700, while unliquidated obligations totalled $141,987,200. In respect of death and disability compensation, $939,000 had been paid as at 28 February 2003 for 34 claims; 43 claims were pending; and unliquidated obligations amounted to $3,412,100.

10. The Advisory Committee was informed that, as at 31 December 2002, the incumbency for UNMISET for the period from 1 July 2002 to 30 June 2003 was as follows:

	Authorized	*Encumbered*
Military observers	120	108
Military contingents	4 880	3 737
Civilian police	1 010	677
International staff	455	394
National staff	977	914
United Nations Volunteers	249	214

11. The Advisory Committee was provided with expenditure data for the period from 1 July 2002 to 30 June 2003 as at 28 February 2003 (see annex below). Expenditure for the period amounted to $231,390,100 gross against an apportionment of $292 million gross.

III. Proposed budget for the period from 1 July 2003 to 30 June 2004

A. Mandate and planned results

12. The Advisory Committee recalls that the Security Council, in paragraph 8 of its resolution 1410 (2002), decided that UNMISET would, over a period of two years, fully devolve all operational responsibilities to the authorities of Timor-Leste as soon as is feasible, without jeopardizing stability. According to the Deputy Special Representative of the Secretary-General, the mandate implementation plan for UNMISET had clear and realistic objectives, benchmarks and an exit strategy for all substantive components of the Mission based on mandate completion by 30 June 2004. Furthermore, the Committee was informed that the mandate implementation plan had three programme areas aimed at realizing (a) stability, justice and democracy; (b) internal security and law enforcement; and (c) external security and border control.

13. **The Advisory Committee is of the view that the performance and budget reports should have been organized in accordance with the framework of the mandate implementation plan. The presentation of the UNMISET budget and performance reports clearly illustrate the weaknesses in trying to fit all Mission mandates, programmes and related activities into a ready-made results-based framework.** The Committee has commented on this issue in its general report on peacekeeping operations (A/57/772). **The Committee recommends that the contents of the introductory paragraphs in section I, which deal with mandate performance in the performance report (A/57/666) and with mandate and planned results in the proposed budget (A/57/689), be modified so as to establish a clear link between the results-based framework and the existing mandate plan.**

B. Resource requirements

14. The Advisory Committee notes from paragraph 19 of the report of the Secretary-General to the Security Council of 3 March 2003 (S/2003/243) that a review and assessment mission was undertaken at UNMISET from 15 to 23 January 2003. The Committee was informed that the recommendations of the review concerning military deployment and the national police force had been incorporated in the report of the Secretary-General to the Security Council. The Committee notes that the Secretary-General has proposed revised military and policing strategies in paragraphs 20 to 35 of his report (ibid.), which was submitted to the Council after the preparation of the proposed budget (A/57/689). Upon enquiry, the Committee was informed that at the time of its examination of the estimates, no changes to the estimates were envisaged, as the Council had not completed its review of the proposals of the Secretary-General. In that connection, the Committee notes the statement in paragraph 36 of the report (S/2003/243) that the Secretary-General would submit revised budget estimates to the General Assembly at the main part of its fifty-eighth session, subject to the decision of the Security Council on his reconfiguration plan for the Mission as set out in paragraphs 20 to 35 of the report.

15. As indicated in the report of the Secretary-General on the proposed budget of UNMISET (A/57/689, sect. II.A.1), the cost of maintaining the Mission for the period from 1 July 2003 to 30 June 2004 is estimated at $188,169,200 gross ($182,124,500 net), exclusive of voluntary contributions. That amount represents a 35.6 per cent decrease ($103,830,800) in gross terms in relation to the apportionment for the period from 1 July 2002 to 30 June 2003, and reflects decreases of $52,461,600, or 42.9 per cent, in military and police personnel; $13,073,100, or 21.2 per cent, in civilian personnel; and $38,296,100, or 35.4 per cent, in operational costs.

1. Military and police personnel

16. The estimated requirements for military and police personnel for the period from 1 July 2003 to 30 June 2004 amount to $69,852,900, which represents a reduction of $52,461,600 in comparison with the apportionment for the current period from 1 July 2002 to 30 June 2003. As indicated in paragraphs 5 to 7 of the proposed budget, reduced requirements are mainly attributable to the planned downsizing of the Mission. Military observers are to be reduced from an average

strength of 120 in 2002/03 to 79 in 2003/04, military contingent personnel from 4,880 to 2,277, and civilian police from 777 to 279.

2. Civilian personnel and related costs

17. The estimated requirements for civilian personnel for 2003/04, which provide for 389 international staff, 732 national staff and 200 United Nations Volunteers, amount to $48,498,700, a decrease of $13,073,100, or 21.2 per cent, in comparison with the apportionment for 2002/03. The proposal for 2003/04 represents a net decrease of 360 posts, from 1,681 posts approved for 2002/03 to 1,321 proposed for 2003/04. The Committee was informed that the estimates take into account a 25 per cent vacancy factor for international staff and a 15 per cent vacancy factor for national staff. No vacancy factor was applied for United Nations Volunteers.

18. **The Advisory Committee notes the request in paragraph 14 of the report for a D-1 post for the Deputy Force Commander. In view of the planned downsizing and the intention to withdraw the military component by June 2004, the Committee sees no merit in establishing the post (see also the comments of the Committee in its general report on peacekeeping operations (A/57/772)).**

19. The Advisory Committee notes from the additional information provided to it the proposed increase in the staffing of the Serious Crimes Unit from 60 to 129. Of the 69 additional posts, 5 are Professional posts, 3 are General Service, 45 are national and 16 are United Nations Volunteers. As indicated in paragraph 11 of the proposed budget, the eight requested international posts are to comprise one judge at the P-5 level and another at the P-4 level, three defence lawyers at the P-3 level and three General Service posts to provide administrative assistance to the defence lawyers. The proposed budget document gives no explanation for the other increases for the Serious Crimes Unit. Upon enquiry, the Committee was informed that the 45 national staff posts would be to increase the judicial capacity of Timor-Leste, particularly with regard to trials and defence capacity.

20. **The Advisory Committee recommends that UNMISET and other partners in Timor-Leste collaborate and coordinate their efforts with a view to ensuring that a durable law and order capacity is established. To that end, the Committee requests that information on work which has already been done and future plans to achieve this objective be included in the next proposed budget. In the meantime, the Committee recommends approval of the request for an increase in staffing of the Serious Crimes Unit.**

3. Operational costs

21. Operational requirements for the period from 1 July 2003 to 30 June 2004 are estimated at $69,817,600, a reduction of $38,296,100, or 35.4 per cent, as compared with the apportionment of $108,113,700 for 2002/03 (see A/57/689, section II.A.1). The operational expenditures for 2001/02 amounted to $140,950,000.

22. **In view of the anticipated termination of the mandate of UNMISET on 30 June 2004, the Advisory Committee requests that early steps be taken to prepare an assets disposal plan and that a report thereon be submitted to the General Assembly for its consideration. In that connection, the Committee recalls its recommendation in paragraph 53 of its report of 6 April 2001**

(A/55/874) that "as regards assets left with the national authority, it is essential to request approval of the General Assembly of any such disposition of mission assets which would provide for free-of-charge contribution to the Government".

Official travel

23. The Advisory Committee was informed that travel costs for the internal auditors of the Office of Internal Oversight Services in the amount of $40,000 were included in the estimate for official travel for 2003/04 of $686,600. The Committee was informed that the inclusion was an error, as all audit costs have been consolidated in the estimates for the support account for peacekeeping operations. **The Committee recommends deletion of that amount from the estimates for UNMISET for 2003/04.**

24. The Advisory Committee was informed that Office of Internal Oversight Services resident investigators had been withdrawn from the Mission in 2002.

Ground transportation

25. Expenditure for ground transportation in 2001/02 amounted to $7,551,600, an overexpenditure of $2,082,400. The Advisory Committee notes, as explained in paragraph 16 of the performance report (A/57/666), that the overexpenditure was the result of the failure of the Mission to finalize contract negotiations to procure barges for heavy transportation, which led to a need to use costly alternative means of transporting rations and water to contingents. This is an example of an instance in which procurement planning should have commenced well in advance to ensure that services were available when they were needed.

26. For 2003/04, an amount of $2,790,600 is requested for ground transportation. The Advisory Committee notes from paragraph 24 of the proposed budget that the Mission will not procure new vehicles during the period and that the vehicle establishment is to be reduced from 1,912 to 1,190. Upon enquiry, the Committee was informed that the planned fleet of 1,190 vehicles included 698 United Nations-owned vehicles.

Air transportation

27. As indicated in the performance report (A/57/666), the expenditure for 2001/02 for air transportation amounted to $50,700,600, a savings of $3,567,400 in relation to the apportionment of $54,268,000. The additional information provided to the Advisory Committee indicated that $26,254,700 of the expenditure of $50.7 million was for the rental and operation of helicopters. That figure represents a savings of $2.7 million over the apportionment of $29 million. The Committee notes that 250 hours of the planned 12,060 flying hours for helicopters in 2001/02 were not used.

28. For 2003/04, the estimate is $18,963,600 for air transportation, a reduction of $18,622,400 in comparison with the apportionment of $37,586,000 for 2002/03. The Advisory Committee notes from the additional information provided to it that 19 helicopters, with 1,220 planned flying hours, and two fixed-wing aircraft, with 200 flying hours, were approved for 2002/03. The estimate for 2003/04 comprises six

helicopters, with 465 planned flying hours, and one fixed-wing aircraft, with 100 flying hours.

29. In the course of the discussion with the representatives of the Secretary-General, the Advisory Committee requested clarification regarding arrangements in air contracts for block hours and extra hours. It was informed that most contracts consisted of a set amount of block hours at a price, with extra hours at greatly reduced cost or, as in the case of the Mi-26 helicopter in UNMISET, free of charge. **The Committee points out that this arrangement means that, in essence, a premium is paid for the block hours. The Committee requests the Secretariat to examine and clarify the various methods for costing block hours, together with the relative merits of commercial hiring versus letter-of-assist arrangements. Furthermore, the Committee has noted extensive variances in the missions between planned flight hours and the hours actually flown. This experience should be taken into account when contracting for air services. The Committee has commented on this issue in its general report on peacekeeping operations (see A/57/772).**

Communications and information technology

30. The Advisory Committee notes that expenditure for communications and for information technology in 2001/02 amounted to $10 million. For 2003/04, $5.9 million is requested. Upon enquiry, the Committee was informed that, in view of the downsizing of the Mission, procurement of communications equipment had not been included in the budget. With regard to increased requirements for information technology ($898,000 requested for 2003/04 as against $802,100 apportioned for 2002/03), the Committee was informed that the estimates provided for the acquisition of software licences and for the purchase of electronic data-processing supplies and spare parts.

Miscellaneous supplies, services and equipment

31. The Advisory Committee observes from the performance report for 2001/02 (A/57/666) that the expenditure for miscellaneous supplies, services and equipment was $33,201,400 against an apportionment of $28,239,700, an overexpenditure of $4,961,700. The Committee sought further clarification of an overexpenditure of $1,127,400 in bank charges under this object of expenditure. It was informed that the overrun was attributable to losses on revaluation of currencies and exchange transactions from payments made in other currencies.

32. The proposed budget for 2003/04 estimates the requirement for miscellaneous supplies, services and equipment at $14,781,800, a decrease of $5,916,500 in relation to the apportionment of $20,698,300 for 2002/03.

33. Upon request, the Advisory Committee was provided with a breakdown of amounts charged to miscellaneous supplies, services and equipment in 2001/02 and proposed for 2003/04. **On the basis of the information provided to it, the Committee concludes that the expenses of a large number of items are incorrectly charged to miscellaneous supplies, services and equipment. In the opinion of the Committee, those expenses should be clearly identified and justified in the proposed estimates. The Committee sees no reason why, for example, such items as rations (which were previously identified as a military cost but are now one of the largest items charged to miscellaneous expenses),**

training, public information expenses, communications expenses and fuel delivery for air operations should be charged to miscellaneous expenses. Furthermore, the Committee notes that the amounts initially provided to it for consideration under the present item are often subsequently corrected, indicating a lack of proper monitoring and recording of this type of expenditure.

34. **The Advisory Committee therefore requests the Secretariat to review the criteria for preparing estimates for and charging items to miscellaneous expenses, with a view to minimizing, to the extent practicable, an apparent tendency to use that item for unbudgeted expenses that should be planned, revealed and justified in the budget estimates. Furthermore, the category of expenditure, "Miscellaneous supplies, services and equipment", should be for small items that do not fall within the broad budget categories of expenditure and for which the costs cannot be anticipated or planned in the estimates. It should not be for items that entail large expenditures.**

Training

35. The additional information provided to the Advisory Committee indicated that in 2001/02 a total of 2,676 staff were trained at a cost of $282,800, including $177,000 for travel. For 2003/04 the proposal is to train a total of 159 staff at a cost of $280,000. The Committee observes that the cost of training per staff member in 2001/02 is $106, whereas for 2003/04 it is $1,761. Upon enquiry as to the reason for the large variance, the Committee was informed that the training expenditure in 2001/02 was related to in-house training, for which the costs are minimal.

Security

36. The Advisory Committee was informed that mission security expenditures for the period from 1 July 2001 to 30 June 2002 totalled $5,406,100. The estimate for 2003/04 is $4,053,200. The corresponding figure for 2002/03 is $5,306,000. The Committee notes that international staff costs for security have decreased from an expenditure of $4.6 million in 2001/02 to an estimate of $3.5 million in 2003/04. The Committee notes from the additional information provided to it that the estimates provide for a decrease in the staffing establishment of the Security Section of the Mission from 212 posts to 168. The Committee requested an explanation of the distinction between security expenditure related to mission assets as compared with staff security related to the United Nations Security Coordinator. It was informed that such a distinction has not heretofore been made. **The Committee requests that such information be included in future budget submissions.**

IV. Recommendations of the Advisory Committee

37. The actions to be taken by the General Assembly in connection with the financing of UNTAET and UNMISET for the period from 1 July 2001 to 30 June 2002 are indicated in paragraph 23 of the performance report (A/57/666). **The Advisory Committee recommends that the unencumbered balance of $942,000, as well as interest and other income in the amount of $20,680,000, be credited to Member States in a manner to be determined by the Assembly.**

38. The actions to be taken by the General Assembly in connection with the financing of UNMISET for the period from 1 July 2003 to 30 June 2004 are indicated in paragraph 31 of the proposed budget (A/57/689). **In view of its comments above and the pattern of expenditure of the Mission (see annex below), the Advisory Committee recommends that the estimated budget requirement of $188,169,200 gross be reduced by $3,169,200, or approximately 2 per cent. Accordingly, the Committee recommends that the General Assembly appropriate an amount of $185 million gross ($178,985,600 net), and that the amount be assessed at a monthly rate of $15,416,667 gross ($14,915,467 net) should the Security Council decide to continue the mandate of the Mission. However, the reduction does not take into account any future changes in the overall strategy currently being considered by the Security Council.**

Annex

Status of expenditure for the United Nations Mission of Support in East Timor for the period from 1 July 2002 to 30 June 2003 as at 28 February 2003

(Thousands of United States dollars)

Category	*Apportionment (1)*	*Expenditure (2)*	*Unencumbered balance (3) = (1)-(2)*
I. Military and police personnel			
Military observers	4 627.2	3 065.0	1 562.2
Military contingents	87 761.3	79 698.1	8 063.2
Civilian police	29 926.0	19 223.3	10 702.7
Formed police units	-	-	-
Subtotal, line 1	**122 314.5**	**101 986.4**	**20 328.1**
II. Civilian personnel			
International staff	50 679.9	29 521.9	21 158.0
National staff	3 562.9	2 618.7	944.2
United Nations Volunteers	7 329.0	6 776.5	552.5
Subtotal, line 2	**61 571.8**	**38 917.1**	**22 654.7**
III. Operational costs			
General temporary assistance	-	-	-
Government-provided personnel	7 466.4	3 962.3	3 504.1
Civilian electoral observers	-	-	-
Consultants	3 422.8	2 081.4	1 341.4
Official travel	685.4	643.0	42.4
Facilities and infrastructure	18 487.0	16 955.8	1 531.2
Ground transportation	4 634.2	4 395.8	238.4
Air transportation	37 586.0	29 678.0	7 908.0
Naval transportation	1 102.5	913.0	189.5
Communications	7 971.3	6 669.3	1 302.0
Information technology	802.1	647.9	154.2
Medical	3 896.3	3 902.6	(6.3)
Special equipment	1 361.4	1 086.4	275.0
Miscellaneous supplies, services and equipment	20 698.3	19 551.1	1 147.2
Quick-impact projects	-	-	-
Subtotal, line 3	**108 113.7**	**90 486.6**	**17 627.1**

Category	*Apportionment (1)*	*Expenditure (2)*	*Unencumbered balance (3)=(1)-(2)*
Gross requirements	**292 000.0**	**231 390.1**	**60 609.9**
Staff assessment income	8 414.2	4 901.4	3 512.8
Net requirements	**283 585.8**	**226 488.7**	**57 097.1**
Voluntary contributions in kind (budgeted)	60.0	-	60.0
Total requirements	**292 060.0**	**231 390.1**	**60 669.9**